

Message Text

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PAGE 01 STATE 170238
ORIGIN IO-03

INFO OCT-01 ISO-00 /004 R

DRAFTED BY IO:RLBARRY
APPROVED BY IO:RLBARRY
DESIRED DISTRIBUTION
IO DISTRIBUTION ONLY 3 COPIES
-----032790 061558Z /43
O 061540Z JUL 78
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C O N F I D E N T I A L STATE 170238

FOR AMBASSADOR VANDEN HEUVEL FROM BARRY

E.O. 11652: GDS

TAGS: OGEN

SUBJECT: NORTH/SOUTH ISSUES.

FOLLOWING ARE THE EXCERPTS FROM THE TEXT OF THE MEMORANDUM
DISCUSSED BY BARRY AND SORENSON ON JULY 5:

(A) COVERING MEMORANDUM:

QUOTE: IN THE CATEGORY OF THINGS WE MIGHT DO IF
NECESSARY TO MOLLIFY THE DEVELOPING COUNTRIES ARE OUR
POSITIONS ON THE COMMON FUND AND ON PROVIDING DEBT RELIEF
BEFORE ACUTE DEBT CRISES ARISE:

-- THE COMMON FUND IS A MAJOR PLANK IN THE G-77 PLATFORM OF
DEMANDS. THE SUBSTANTIVE VALUE TO THE ECONOMIC WELFARE OF
DEVELOPING COUNTRIES IS CONSIDERABLY LESS THAN THE POLITICAL
SIGNIFICANCE THAT THEY HAVE GIVEN TO IT. A MAJOR MOVE
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TOWARD THE G-77 POSITION ON THE COMMON FUND WOULD BE WELL
RECEIVED BY THEM, BUT BECAUSE IT WOULD PROVIDE ONLY MARGINAL
BENEFITS TO THE WORLD ECONOMY, A MAJOR INVESTMENT OF YOUR
POLITICAL CAPITAL WOULD BE REQUIRED TO SECURE CONGRESSIONAL
SUPPORT FOR U.S. PARTICIPATION AND A U.S. CONTRIBUTION OF
PERHAPS \$100 TO \$250 MILLION. END QUOTE

(B) TABBED MEMORANDUM:

QUOTE: COMMON FUND. THE COMMON FUND IS THE MOST POLITICALLY VISIBLE NORTH/SOUTH ISSUE IN UN AND UNCTAD, THOUGH (EXCEPT FOR A FEW COUNTRIES) IT IS NOT A PROBLEM IN OUR BILATERAL RELATIONS WITH LDCS. IT COULD PROVIDE MARGINAL ECONOMIC BENEFIT TO THE WORLD COMMUNITY, BUT IS ESSENTIALLY A FOREIGN POLICY ISSUE. TWO NEGOTIATING CONFERENCES HAVE FAILED TO BRIDGE THE GAP BETWEEN THE DEVELOPED COUNTRIES' POSITION AND THAT OF THE GROUP OF 77. WE MUST DECIDE WHETHER WE WISH TO SEEK A NEW ACCOMMODATION WITH THE LDCS THROUGH A MAJOR SHIFT IN OUR POSITION. SUCH A SHIFT WOULD REQUIRE AN ALL-OUT EFFORT TO OVERCOME CONGRESSIONAL OPPOSITION TO COMMITTING U.S. FUNDS TO YET ANOTHER INTERNATIONAL DEVELOPMENT-TYPE INSTITUTION, AND ONE OF ONLY MARGINAL BENEFIT. THE ALTERNATIVE IS TO MAINTAIN OUR PRESENT APPROACH, WHICH IS CONSTRUCTIVE, BUT WHICH CARRIES THE RISK OF BREAKDOWN IN A THIRD ROUND OF NEGOTIATIONS AND POSSIBLE SOURING OF THE ATMOSPHERE IN OVERALL NORTH/SOUTH RELATIONS. WE RECOMMEND THAT ANY PUBLIC REFERENCE TO THE COMMON FUND AND COMMODITY ISSUES EMPHASIZE THE COMMON INTEREST OF THE PARTICIPATING COUNTRIES IN WORKING CONSTRUCTIVELY WITH THE DEVELOPING COUNTRIES TO ACHIEVE MUTUALLY SATISFACTORY SOLUTIONS ON THE COMMON FUND AND INDIVIDUAL COMMODITIES, BUT THAT FOR TACTICAL REASONS WE DO NOT ANNOUNCE AT THE SUMMIT ANY NEW

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CONCESSIONS EVEN IF IT IS DECIDED TO MAKE THEM. END
QUOTE VANCE

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 06 jul 1978
Decaption Date: 20 Mar 2014
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE170238
Document Source: CORE
Document Unique ID: 00
Drafter: RLBARRY
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780277-0661
Format: TEL
From: STATE
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780789/aaaacxke.tel
Line Count: 96
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 4382e779-c288-dd11-92da-001cc4696bcc
Office: ORIGIN IO
Original Classification: CONFIDENTIAL
Original Handling Restrictions: ONLY
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: ONLY
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 02 aug 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2098421
Secure: OPEN
Status: NATIVE
Subject: NORTH/SOUTH ISSUES. FOLLOWING ARE THE EXCERPTS FROM THE TEXT OF THE MEMORANDUM DISCUSSED BY BARRY AND SORENSON ON JULY 5
TAGS: OGEN
To: GENEVA
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/4382e779-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014